



### QUESTION 1

- (a) Explain the economic problem (10marks)
- (b) Free market economy is the best economic system. Discuss the assertion (15 marks)

[Total 25 marks]

### QUESTION 2

- (a) Explain the following concepts
- i) Complementary good [5 marks]
  - ii) Veblen good (5 marks)
  - iii) Public good (3 marks)
- (b) As an Economic Officer advice Midlands Cement, the usefulness of elasticity concepts [15 marks]

[Total 25 marks]

### QUESTION 3

- a) Using and example, explain how the problem of double counting can be incurred and how it can be solved in national income accounting (15 marks)
- (a) National income statistics is not an accurate measure of standard of living. Discuss this assertion? [10 marks]

[Total 25 marks]

### QUESTION 4

Complete the table giving reasons and show all our workings (12 marks)

Quantity	Fixed cost	Variable cost	Total cost	Marginal Cost
1	10	2		
2		4		
3		5		
4		6		
5		7		
<b>Fixed cost (2 marks), Total cost (5 marks), Marginal Cost (5 marks)</b>				

- e) Discuss the challenges faced by small firms as they try to compete with dominant firms? (13 marks)

[Total 25 marks]

## **QUESTION 5**

a) Explain the three types of inflation

(15 marks)

b) Discuss how inflation affect the three characteristics of money

(10 marks)

**[Total 25 marks]**

**END OF PAPER**